

Chatham Lodging Trust

Task Force on Climate-Related Financial Disclosures Report

Governance

Disclosure	Response	Reference
<p>Board’s oversight of climate related risks and opportunities</p>	<p>Board of Trustees Chatham’s Board of Trustees has overall responsibility for overseeing risk management with a focus on the more significant risks facing the Company. The Board of Trustees takes an active and informed role in the Company’s risk management policies and strategies. At least annually, the Company’s executive officers who are responsible for the Company’s day-to-day risk management practices present to the Board of Trustees a comprehensive report on the material risks to the Company, including credit risk, liquidity risk, information security risk, and environmental risks, including climate risk. At that time, the management team also reviews with the Board of Trustees the Company’s risk mitigation policies and strategies specific to each risk that is identified.</p> <p>ESG Committee In February 2022, the Board of Trustees established an Environmental, Social and Governance (ESG) Committee. The ESG Committee consists of three trustees - and two non-trustees and provides ESG oversight to the Company and reports to the full Board of Trustees. This new committee oversees and advises the Board on the Company's goals, strategies, and commitments related to sustainability and ESG, including climate risks and opportunities, human rights and human capital management, community and social impact, and diversity and inclusion. The Committee also reviews and oversees the policies and procedures used to prepare sustainability and ESG-related statements and disclosures, including preparation of the Company's annual corporate responsibility report and reviews these statements and disclosures before their publication. The ESG Committee meets at least quarterly. The charter of the ESG Committee is available on our website.</p> <p>Audit Committee The Audit Committee also actively monitors risks to the Company throughout the year, and with the aid of Management, identifies any additional risks that need to be elevated for the full Board’s consideration, including climate risk. The Audit Committee discusses with management the Company’s major financial risk exposures, including</p>	<p>2023 Proxy Statement</p> <p>2022 Corporate Responsibility Report</p> <p>ESG Committee Charter</p> <p>Environmental Policy</p>

Disclosure	Response	Reference
	risks related to climate. The Audit Committee also discusses the steps management has taken to monitor and control such exposures, including the Company’s risk assessment and risk management policies.	
Management’s role in assessing and managing climate related risks and opportunities	Chatham’s Executive Officers (management) are responsible for the day-to-day management of risks we face, including climate risk and opportunities. The Officers collect and formulate relevant data and information and share recommendations with the ESG Committee that adopts measures and reports periodically to the Board of Trustees. If necessary, the Board of Trustees may delegate specific risk management tasks to the Officers or the ESG committee. Throughout the year, management monitors the Company’s risk profile and updates the Board of Trustees as new material risks are identified or the aspects of a risk previously presented to the Board of Trustees materially change.	2022 Corporate Responsibility Report ESG Committee Charter

Strategy

Chatham faces the following climate-related risks and opportunities identified over the short, medium, and long-term. For the purposes of assessing climate risk and opportunities we use the following time horizons: Short-term (<3 years), Medium-term (3-6 years), and Long-term (>6-10 years or longer).

Disclosure	Response			Reference
Climate-related risks and opportunities identified over the short, medium, and long-term	Short and Medium Term:	Physical Climate Risk	Climate Opportunities	N/A
		<ul style="list-style-type: none"> Inadequate water supply Extreme weather events Building flooding from storm surges Fire damage from wildfires Poor indoor air quality Rising mean temperatures 	<ul style="list-style-type: none"> Increased consumer preference due to meeting customer preferences and needs Improved emergency response practices resulting from implementation of best practices for extreme weather events, such as regularly check and improving our assets' adaptability to extreme events related to weather and climate (especially floods and rainfall) 	
		Transition Climate Risk		
		<ul style="list-style-type: none"> More stringent building codes for existing and new buildings Higher customer expectations for decarbonized travel 		

Disclosure	Response		Reference
		<ul style="list-style-type: none"> • Expectations of business travelers for carbon neutral stays and meetings • Reduced demand for group travel due to organizational initiatives to reduce environmental impacts of business travel • Increased insurance premiums for hotels located in areas with high exposure to physical climate risk factors • Requirements to change out equipment or structures such as accommodation of electric vehicles for parking • Increased requirements for ESG disclosure from investors and operators 	<ul style="list-style-type: none"> • Increased building and operating efficiencies resulting from implementation of energy and water efficiency upgrades • Increased revenue from adhering to customer preferences for ‘green’ hotels • Financial savings resulting from investments in renewable energy and efficiency (Long term) • Availability of low emissions goods and services • Increased long-term asset value from efficiency, resiliency, and low-carbon attributes
	<p>Time Frame</p> <p>Long Term or Unknown:</p>	<p>Physical Climate Risk</p> <ul style="list-style-type: none"> • Sea level rise • Precipitation change • Temperature change <p>Transition Climate Risk</p> <ul style="list-style-type: none"> • Franchise brands in the portfolio are bound to commitments from Brand owner (i.e., Marriott committing to Net Zero) 	
<p>Impact on Business, Strategy and Financial Planning</p>	<p>Our commitment to sustainability aims to integrate ESG factors into our Company’s value creation strategy to drive profitability, while positively impacting our stakeholders, the environment, and the communities where our hotel properties are located. In the short-to-medium term, we consider one of our greatest impacts on business to be the transition risk/opportunity of changing customer preferences for decarbonized travel and hotel stays. This preference is taken into consideration in overall business strategy and planning.</p> <p>In 2021, we conducted a portfolio wide assessment of water risk, climate risk, biodiversity proximity, socio-economic indicators, and transition risk of regulation and policy via research of relevant local policies for our hospitality portfolio.</p>		<p>TCFD</p>

Disclosure	Response	Reference
	<p>Over the long-term, we consider one of our greatest climate risks to be temperature change and precipitation change, which affects the geographic location of our acquisitions and asset management. This risk must be considered throughout the life cycle of the real estate process including portfolio addition, ongoing asset management, renovation, and disposition.</p> <p>The physical risk of extreme weather on our buildings resulting from floods, wildfires and hurricanes is driving increased insurance premiums that must be taken in consideration for financial planning. We recently evaluated all geographical locations where Chatham owns assets to assess environmental and socioeconomic trends, which may impact our asset values in addition to revenue and costs in our major markets.</p>	
<p>Organizational Resilience and Impact of Different Scenarios, Including 2 degrees or lower</p>	<p>The 1.5 degree or lower scenario is the global community’s accepted limitation on temperature increase to avoid potentially catastrophic changes to the planet. Under this scenario, Chatham anticipates a transformational shift as business, government, and society as a whole focus on decarbonizing the way we live and work with an eye toward net zero by 2050. We recognize that global efforts alone will not be enough to meet the 1.5-degree goal and every individual and business will need to take immediate and sustained action to prevent catastrophic consequences to the planet.</p> <p>Though our company is at the beginning stages of understanding and undertaking changes in the way we operate, Chatham is currently evaluating the pathway and corresponding budgetary needs required to reduce its emissions toward net zero over the next 30 years. Chatham’s pathway to net zero is in alignment with the Hotel Net Zero Methodology, Second Edition June 2023¹. Overall, our target is to reach net zero emissions across all Scope 1, 2 and 3 emissions by 2050. Our current plan is to focus on activities through 2030, which are managerially tangible and will have further impacts past 2030 as a result. Our milestones will be updated as industry best practice and expectations evolve. In early 2023, we set 2030 portfolio-wide environmental intensity reduction targets using a 2017 baseline year, including a target to cut carbon emissions by 50% by 2030, and reduce energy intensity and water intensity by 30% by 2030 respectively. Chatham further acknowledges the necessity of reaching net zero emissions by 2050 and is committed to creating an organizational plan for defining our pathway to net zero.</p> <p>We are committed to shifting as necessary, in partnership with our customers, lawmakers and investors, to make whatever changes are necessary to meet this critical planetary goal. As such,</p>	<p>TCFD</p> <p>2022 Corporate Responsibility Report</p>

¹ <https://greenview.sg/wp-content/uploads/2023/06/NZMFH2-June23.pdf>

Disclosure	Response	Reference
	we anticipate changes in building standards, pricing, regulation, customer preferences, low carbon products and services.	

Risk Management

Disclosure	Response	References
Process for identifying and assessing climate related risks	Climate related risks are identified at several instances during the life cycle of real estate acquisition and asset management. During the due diligence phase of property acquisition, Chatham identifies properties with high-risk exposure to extreme weather events and/or geographical exposure to areas already facing climate change adaptation measures. Once properties are purchased, we make investments in resilience and planning as part of the capital budgeting process and asset planning. In addition, Chatham seeks to identify climate related risks to properties in day-to-day asset management practices so that we can develop best practices for withstanding extreme weather events and impacts to our buildings. In 2021, the company conducted a Sustainability Risks & Opportunities Assessment, which is a portfolio-wide assessment of water risk, climate risk, biodiversity proximity, socio-economic indicators. This assessment not only identifies risk but allows us to further embed risk and opportunity management into company processes such as due diligence and other life cycle stages of hotel ownership.	2022 Corporate Responsibility Report
Processes for managing climate related risks	<p>Chatham’s process for managing climate related risks involves planning, implementation, and monitoring activities around the following focus areas:</p> <ul style="list-style-type: none"> • Environmental compliance • Energy consumption • Greenhouse gas (“GHG”) emissions • Water consumption • Waste generation • Environmental stress • Responsible procurement <p>The backbone of Chatham’s process for managing climate related risks is its active engagement with the brands and operators. Chatham has a close working relationship with its 3rd party operator, Island Hospitality. Island Hospitality is committed to reducing its climate impact by identifying energy efficiency and renewable energy opportunities. In addition, the majority of Chatham’s properties fall within brands with proactive sustainability initiatives to address</p>	Environmental Policy 2022 Corporate Responsibility Report

Disclosure	Response	References
	climate change and climate risk. As discussed above, the ESG Committee makes decisions regarding the prioritization of environmental risks and the allocation of resources to the mitigation of such risks. Constraints in the execution of any environmental program include financial, technological, operational and/or regulatory constraints.	
Integration into overall risk management	Risk management is integrated into Chatham's operational practices in four key ways: The primary area of integration is through the insurance procurement process. The company's insurance brokers address specific climate risks such as flood, blizzard, hurricanes, etc. when we renew our insurance annually and when we buy a hotel. Secondly, each hotel has an emergency manual that includes procedures for addressing every kind of emergency risk that could arise, including those caused by the physical risks of climate change. Risk management is also addressed through the hotel's compliance with brand standards. The brand standards often include minimum guidelines for energy and water efficiency, which support the reduction of greenhouse gas emissions for the property and company overall. Finally, Chatham has an Employee Handbook that addresses a host of social risks including corruption, bribery, and harassment.	TCFD

Metrics and Targets

Metrics used by the organization to assess climate related risks and opportunities.

Chatham collects and discloses annual performance data for the following key metrics:

Category	Metric	Disclosure Location
GHG Emissions	Scope 1 GHG Emissions	2022 Corporate Responsibility Report
GHG Emissions	Scope 2 GHG Emissions	2022 Corporate Responsibility Report
GHG Emissions	Combined Scope 1 & 2 GHG Emissions	2022 Corporate Responsibility Report
GHG Emissions	GHG Emissions Intensity per Square foot	2022 Corporate Responsibility Report
Energy	Direct and Indirect Energy Consumption	2022 Corporate Responsibility Report
Energy	Total Energy	2022 Corporate Responsibility Report
Energy	Energy Intensity per Square Foot	2022 Corporate Responsibility Report
Energy	% Renewables	2022 Corporate Responsibility Report
Water	Total Water	2022 Corporate Responsibility Report
Water	Water Intensity per Occupied Room	2022 Corporate Responsibility Report
Waste	Total Waste	2022 Corporate Responsibility Report
Waste	Waste Intensity per Occupied Room	2022 Corporate Responsibility Report
Waste	Diversion rate	2022 Corporate Responsibility Report

Additional metrics monitored in the Sustainability Risk and Opportunity Assessment

- Climate Risk Indicators
 - Drought risk
 - Flood risk
 - Cyclone risk
 - Precipitation change
 - Temperature change
 - Sea level rise
- Water Risk Indicators
 - Baseline water stress
 - Seasonal variability
 - Future water stress 2030
 - Future water demand 2030
 - Water risk premium
 - Future water supply 2030
 - Water intensity (Gallons/Sq. Ft.)
 - Relative market water intensity
- Biodiversity Risk Indicators
 - Proximity to IUCN protected areas
 - Proximity to species recognized by the IUCN as critically endangered
- Socio-economic Risk Indicators
 - Obesity
 - Access to exercise
 - Children living in poverty
 - Infant mortality rate
 - High school graduation rate
 - Level of insurance
 - Food insecurity
 - Air pollution
 - Unemployment
 - Crime
 - Access to healthcare

Scope 1, 2 and 3 Greenhouse Gas Emissions

Greenhouse Gas Emissions	2022 Performance
Scope 1	5,898,420 kgCO ² e
Scope 2	16,997,182 kgCO ² e
Total Scope 1 + Scope 2	22,895,602 kgCO ₂ e
Intensity per Square Foot	5.18 kgCO ₂ e
Scope 3	<i>Currently, we do not track Scope 3 emissions</i>

Targets and Performance Against Targets

Chatham has been measuring its environmental performance since 2017 and has set targets to reduce our environmental impact while creating value for our shareholders. As described above, our target is to reach net-zero emissions across all Scope 1, 2 and 3 emissions by 2050. Our current plan is to focus on activities through 2030, which are managerially tangible and will have further impacts past 2030 as a result. Our milestones will be updated as industry best practice and expectations evolve. In early 2023, we set 2030 portfolio-wide environmental intensity reduction targets using a 2017 baseline year, including a target to cut carbon emissions by 50% by 2030, and reduce energy intensity and water intensity by 30% by 2030 respectively. Chatham further acknowledges the necessity of reaching net-zero emissions by 2050 and is committed to creating an organizational plan for defining our pathway to net zero.